

50X1-HUM

CLASSIFICATION

SECRET/CONTROL - U.S. OFFICIALS ONLY

SECURITY INFORMATION

50X1-HUM

REPORT

CD NO.

COUNTRY Germany (Russian Zone)/China

DATE DISTR. 2 July 1952

SUBJECT Factors Which Held up the Conclusion of
the Sino-DDR Trade Agreement

NO. OF PAGES 1

DATE OF INFO.

NO. OF ENCLS.
(LISTED BELOW)

PLACE
ACQUIRED

SUPPLEMENT TO
REPORT NO.

50X1-HUM

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794, OF THE U.S. CODE, AS AMENDED. ITS TRANSMISSION OR REVELATION OF ITS CONTENTS TO OR RECEIPT BY AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. THE REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION
DO NOT CIRCULATE

50X1-HUM

1. For their failure to sign the 1952/1953 Chinese-East German Trade Agreement promptly, the Chinese produced the excuse at the beginning of May 1952 that Chinese merchandise to the value of \$37,000,000 had been credited to the China Export Corporation of Berlin, against which no equivalent goods had been delivered to China. The Chinese went on to state that they would not sign the new trade agreement until the DDR had balanced its accounts with China.
2. The truth is that certain quantities of Chinese exports, mainly silk and, to a lesser extent, soya beans and tea, are currently stored in Western Europe, awaiting sale. However, since their shipment from China, where they were invoiced to the DDR, prices have fallen very considerably, and the merchandise can no longer be sold for dollars. If this merchandise were currently sold for pounds sterling and the pounds converted into dollars, the final dollar proceeds would be nearer \$18,000,000 than \$37,000,000.
3. The DDR has already been required to advance \$18,000,000 in cash or dollar exports, to the China Export Corporation to enable the latter to purchase steel and chemicals (which have already been shipped to China), in order to balance its 1951 accounts with China. The DDR is now extremely reluctant to advance a further \$37,000,000 against Chinese merchandise which would realize at the best one-half of that amount.
4. The senior officials of the China Export Corporation believed that a compromise solution to the Chinese demands could be found, and that, if about one-half of the so-called book-debt of \$37,000,000 were cleared, the trade agreement would be immediately signed.

50X1-HUM

Comment: The above report was written before the signature of the Sino-Trade Agreement was announced on 29 May 1952.

50X1-HUM

Comment: [redacted] containing more recent information, it is alleged that the China Export Corporation is ceasing its activities for an indefinite period.

50X1-HUM

CLASSIFICATION

SECRET/CONTROL - U.S. OFFICIALS ONLY

[illegible]

50X1-HUM